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C O N F I D E N T I A L SECTION 01 OF 02 TEL AVIV 004284

SIPDIS

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TAGS: [PREL](#) [PGOV](#) [KWBG](#) [KPAL](#) [IS](#) [GAZA](#) [DISENGAGEMENT](#) [SETTLEMENTS](#)

SUBJECT: ISRAELI HOUSING MINISTER DISCUSSES SETTLEMENTS AND
DISENGAGEMENT WITH STAFFDEL TALWAR

Classified By: DCM Gene A. Cretz for reasons 1.4 (B) and (D).

1. (C) Summary: Staffdel Talwar met with Minister of Housing Isaac Herzog on July 6 at the Knesset to discuss Israeli settlements in the West Bank and the disengagement process. Herzog said that he had stopped all new residential construction beyond the green line, but intends to eventually approve new projects in Ma'ale Adummim and Betar Illit. Speculating about the future, Herzog admitted that the security barrier "will create the possible final border for the State of Israel," and said that he foresees at least part of the E-1 area within the fence. Herzog told staffdel that the GOI will have housing available for every Israeli evacuated as part of the disengagement process, but he expects that some settlers will move to shantytowns and tents to make a political point. Herzog said that disengagement has thrown Israeli politics into "total disarray" and predicted that some parties in the Knesset will split as a result of the process. He requested U.S. support for disengagement and U.S. assistance in cautioning the Palestinians that they must end terror attacks against Israel. Herzog also noted that at least one GOI minister is trying to prevent participation by Hamas in the upcoming Palestinian legislative elections. End summary.

Outposts, Settlements, and the Security Barrier:
Residential Construction Freeze - for now

2. (C) Herzog maintained that he had "frozen all construction in the illegal outposts" and had taken steps to stop illegal construction in settlements. Herzog said that he has not allowed new construction on one residential unit beyond the green line since January 2005. He admitted that the GOI continues to work on a number of infrastructure projects, calling them the result of contracts "signed years ago." Herzog noted that Sharon cannot tackle the problem of illegal outposts and settlements at the present time because the Prime Minister cannot afford to "split his forces" during the traumatic disengagement process.

3. (C) Speculating about the future, Herzog admitted that the security barrier "will create the possible final border for the State of Israel." He said the GOI intends to eventually build 700 new housing units in Ma'ale Adummim and Betar Illit, claiming that Ma'ale Adummim "needs a critical mass to sustain itself." He called this policy an improvement over previous GOI plans, contending that it focuses Israeli activity on two Israeli settlements and is "accepted all over the world," including Geneva. Herzog said that current plans for the E-1 area are on hold while zoning issues are studied and maintained that the future of E-1 could be settled "later," possibly by dividing the area between the PA and Israel. He listed his two main goals for E-1 as maintaining a "lifeline to Ma'ale Adummim" and providing contiguity for Palestinians transiting between the northern and southern parts of the West Bank. He noted that once a road for the Palestinians (route 80) is complete, Israel intends to "fence in the block."

Housing Available for Every Evacuee

4. (C) Herzog told staffdel that the GOI will have 1,550 housing options for evacuated settlers by the start of disengagement, enough for every evacuee. He said the evacuated settlers will eventually have three options: housing in new villages and towns currently under construction; housing in the 350 units planned for settlers from Gush Katif in the Nitzana area between Ashkelon and Ashdod; or housing in one of 850 apartments leased throughout Israel. Herzog predicted that some settlers will move nevertheless to shantytowns and tents in order to make a political point in their "psychological battle" against disengagement.

Disengagement: Israeli Politics, U.S. role, and the PA

5. (C) Even though he expects that terror attacks will continue after disengagement, Herzog said that the Labor Party strongly supports the process. He noted that this

policy is consistent with Labor's long-held belief that the only way to maintain a viable democratic Jewish state is to divide the land with the Palestinians. Herzog said that disengagement has thrown Israeli politics into "total disarray" and left the political scene "on the verge of an earthquake." The issue has revealed deep internal divisions within many of the parties represented in the Knesset, he added, and will lead to splits in United Torah Judaism, the National Union, and the National Religious Party. He admitted that his own party, Labor, is hampered by the "huge price" it paid for supporting Oslo and a vicious leadership battle. In Herzog's view, PM Sharon is not in as much political difficulty as reported, because Israeli voters "like people who are tough."

16. (C) When asked about a U.S. role in disengagement, Herzog requested political support. He also asked the USG to let the Palestinians know -- "without threatening them" -- that Israel is capable of retaliating many times over for any terrorist attacks.

17. (C) Herzog said that the GOI fully supports PA President Mahmud Abbas, but is concerned that he is not producing results. Herzog does not see the PA as a transitional administration for Hamas, because he believes that a large silent majority of Palestinians supports the current policy of maintaining calm with Israel. He noted that Justice Minister Tzipi Livni is working to exclude Hamas from the upcoming legislative elections, arguing that the Oslo accords do not permit anti-Israeli parties to compete. Herzog noted that the GOI needs to work with the international community in deciding how to handle Hamas. In a broader discussion on democratization in the region, Herzog told staffdel "you have to accept extremists if they are elected."

18. (U) This cable was cleared by staffdel.

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